

**EAST GREENE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18-19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 21
Statement of Cash Flows	H 22
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	I 23
Statement of Change in Fiduciary Net Assets	J 24
Notes to Financial Statements	25-32
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	33
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	34
Notes to Required Supplementary Information - Budgetary Reporting	35
Other Supplementary Information:	<u>Schedule</u>
Non-major Special Revenue Funds:	
Combining Balance Sheet	1 36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 38
Fiduciary Funds:	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4 39
Comparison of Taxes and Intergovernmental Revenue	5 40
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	41-42
Schedule of Findings	43-45

EAST GREENE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2003 Election)

Timothy J. Bardole	President	2004
Mark Gannon	Vice President	2005
Katherine Neese		2005
Beverly Swecker		2003
Julie Derry		2004

(After September, 2003 Election)

Katherine Neese	President	2005
Timothy J. Bardole	Vice President	2004
Mark Gannon		2005
Julie Derry		2004
Marc Hoffman		2006

SCHOOL OFFICIALS

G. Michael Harter	Superintendent
Brenda Muir	District Secretary
Jenny Wessling	District Treasurer

Independent Auditor's Report

To the Board of Education of the
East Greene Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of East Greene Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of East Greene Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 9 to the general purpose financial statements, during the year ended June 30, 2004, East Greene Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37 Basic Financial Statements and Management's Discussion and Analysis; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated January 27, 2005 on our consideration of East Greene Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 35 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Greene Community School District's basic financial statements. The financial statements for the three years ended June 30, 2003 (none of which are presented herein) were audited by other auditors who expressed qualified opinions on those financial statements due to the omission of the general fixed assets account group. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

January 27, 2004

EAST GREENE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

East Greene Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,448,591 in fiscal year 2003 to \$3,312,450 in fiscal year 2004, while General Fund expenditures increased from \$3,487,637 in fiscal year 2003 to \$3,545,115 in fiscal year 2004.
- The decrease in General Fund revenues was primarily attributable to decreased Federal Grant activity. The increase in expenditures was due primarily to annual raises for employees.
- The District began to collect local option sales tax funds from Boone County in March, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of East Greene Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Greene Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Greene Community School District acts solely as agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
East Greene Community School District

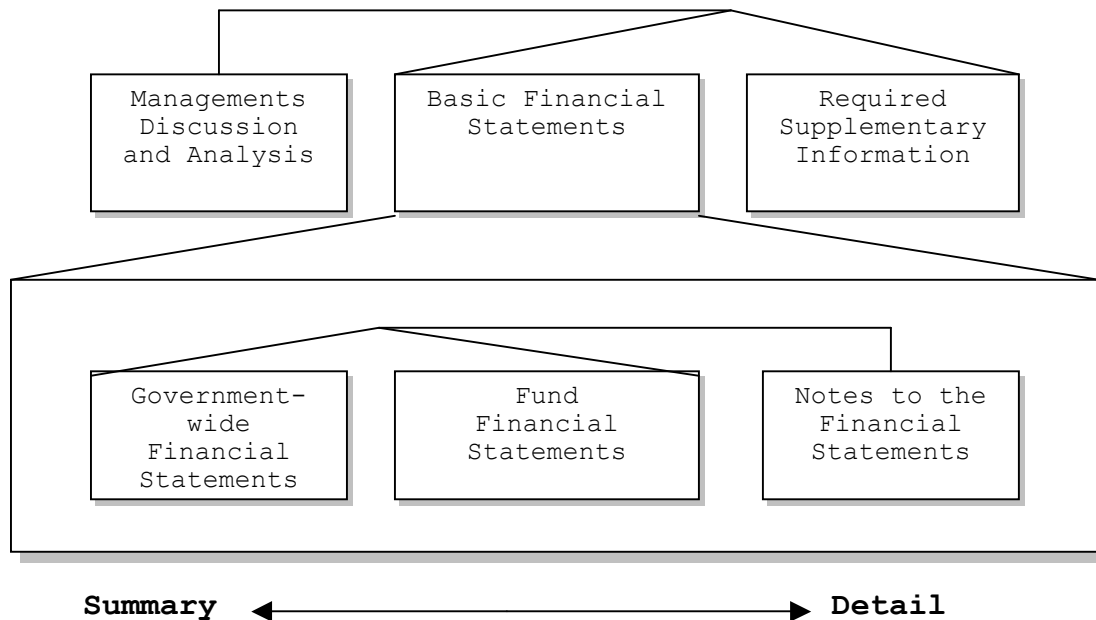


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Fund.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.
- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purpose in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2004	2003	2004	2003	2004	2003	2003-04
	\$	\$	\$	\$	\$	\$	
Current assets	2,387	2,023	18	17	2,405	2,040	17.89%
Capital assets	857	1,004	38	37	895	1,041	-14.02%
Total assets	3,244	3,027	56	54	3,300	3,081	7.11%
Current liabilities	2,117	1,459	1	5	2,118	1,464	44.67%
Non-current liabilities	85	121	-	-	85	121	-29.75%
Total liabilities	2,202	1,580	1	5	2,203	1,585	38.99%
Net Assets							
Invested in capital assets, net of related debt	801	937	38	37	839	974	-13.86%
Restricted	59	166	-	-	59	166	-64.46%
Unrestricted	182	344	17	12	199	356	10.19%
Total net assets	1,042	1,447	55	49	1,097	1,496	-26.67%

The District's combined net assets decreased by over 25%, or approximately \$405,000 over the prior year. This was due primarily to two factors. One, General Fund expenditures exceeded revenues by nearly \$300,000. A combination of increased expenditures and cutbacks in federal and state funding resulted in this decline. Two, depreciation expense (a non-cash expenditure) of over \$140,000 was shown on the financial statements. The largest portion of the District's net assets is invested in capital assets.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$33,000 or 10%. This decrease in unrestricted net assets was a result of decreased Federal grant revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	126	55	181
Operating grants, contributions and restricted interest	522	80	602
General revenues:			
Property tax	1,412	-	1,412
Income surtax	65	-	65
Local option sales tax	2	-	2
Unrestricted state grants	1,397	-	1,397
Unrestricted investment earnings	3	-	3
Other	8	-	8
Total revenues	<u>3,535</u>	<u>135</u>	<u>3,670</u>
Program expenses:			
Governmental activities:			
Instruction	2,551	-	2,551
Support Services	1,020	-	1,020
Non-instructional programs	4	130	134
Other expenses	<u>366</u>	<u>-</u>	<u>366</u>
Total expenses	<u>3,941</u>	<u>130</u>	<u>4,071</u>
Change in net assets	<u>(406)</u>	<u>5</u>	<u>(401)</u>

Property tax and unrestricted state grants account for 77% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,534,653 and expenses were \$3,829,610.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(expressed in thousands)

	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	2,551	2,052
Support Services	1,020	1,000
Non-instructional programs	4	4
Other expenditures	<u>366</u>	<u>235</u>
Totals	<u>3,941</u>	<u>3,291</u>

- The cost financed by users of the District's programs was \$126,533.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$432,102.
- The net cost of governmental activities was financed with \$1,411,162 in property and other local taxes and \$1,396,764 in unrestricted state grants.

Business-Type Activities

Revenues for business type activities were \$135,043 and expenses were \$129,844. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, East Greene Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,041,998, a twenty two percent decrease under last year's ending fund balances of \$1,447,774.

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of several factors. The District has carefully monitored discretionary spending to avoid decreases in fund balances. The reduction in deficit would have been greater if not for the mid year reduction in state spending.
- Boone County instituted the 1% school infrastructure local option sales tax. The District started collecting these monies in March, 2004. These monies can be used for infrastructure projects. Greene County implemented this tax beginning July, 2004.
- The District issued revenue bonds and received Federal grants totaling almost \$3 million for building addition and renovation projects.

Proprietary Fund Highlights

The School Nutrition Fund balance increased approximately \$6,000 during the fiscal year ending June 30, 2004. This was a result of increased revenue and cost control measures.

BUDGETARY HIGHLIGHTS

The District's receipts were \$895,000 higher than budgeted receipts. This variance resulted from the District receiving larger than expected Federal grant activity.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested almost \$1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year was \$152,529.

The original cost of the District's capital assets was \$2,725,252. Governmental funds account for \$2,664,624, with the remainder of \$60,628 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
	\$	\$	\$	\$	\$	\$	
Land	20	20	-	-	20	20	0.00%
Land improvements	77	88	-	-	77	88	0.00%
Buildings	322	337	-	-	322	337	-4.45%
Furniture and equipment	438	559	38	37	476	596	-20.13%
Totals	857	1,004	38	37	895	1,041	-14.02%

Long-term Debt

The District has a Technology Note Payable of \$56,000 for a building addition and ICN equipment at the high school building. The loan is a zero percent loan from Midwest Power Cooperative. Five payments of \$11,200 each are remaining.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The SILO tax was passed by Boone County in 2003 and money began to be received by the District in March of 2004. Greene County also passed the tax and collections on that began in July, 2004. These funds will be used for infrastructure projects.

- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.
- For the 2003-04 school year the state cut the District's budget by 2.5%. This was an across the board cut, effecting Phase I & II and Teacher Compensation as well as other areas. This will force the District to use some of the cash on hand to maintain programs at current levels. Cuts made during the fiscal year negatively impact the District's balances and forced the district to make budget reductions.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brenda Muir, District Secretary, East Greene Community School District, 405 12th St S, Grand Junction, Iowa 50107.

Basic Financial Statements

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	339,612	13,259	352,871
ISCAP investments	554,323	-	554,323
Receivables:			
Property tax:			
Current year	20,726	-	20,726
Succeeding year	1,350,038	-	1,350,038
Income surtax	86,700	-	86,700
Due from other governments	32,967	-	32,967
ISCAP accrued interest	1,325	-	1,325
Other receivables	2,069	120	2,189
Inventories	-	5,109	5,109
Capital assets, net of accumulated depreciation (note 3)	856,682	38,092	894,774
Total assets	3,244,442	56,580	3,301,022
Liabilities			
Accounts payable	122,601	1,459	124,060
ISCAP warrants payable	551,000	-	551,000
ISCAP accrued interest payable	7,462	-	7,462
Deferred revenue:			
Succeeding year property tax	1,350,038	-	1,350,038
Income surtax	86,700	-	86,700
Long term liabilities:			
Portion due within one year:			
Early retirement	13,484	-	13,484
Technology note payable	11,200	-	11,200
Portion due after one year:			
Early retirement	15,159	-	15,159
Technology note payable	44,800	-	44,800
Total liabilities	2,202,444	1,459	2,203,903
Net assets			
Invested in capital assets, net of related debt	800,682	38,092	838,774
Restricted for:			
Capital projects	1,692	-	1,692
Physical plant and equipment levy	57,221	-	57,221
Unrestricted	182,403	17,029	199,432
Total net assets	1,041,998	55,121	1,097,119

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
<u>Functions/Programs</u>						
Governmental activities:						
Instruction:						
Regular instruction	1,762,843	102,628	170,448	(1,489,767)	-	(1,489,767)
Special instruction	539,202	8,185	125,438	(405,579)	-	(405,579)
Other instruction	248,607	-	91,462	(157,145)	-	(157,145)
	<u>2,550,652</u>	<u>110,813</u>	<u>387,348</u>	<u>(2,052,491)</u>	<u>-</u>	<u>(2,052,491)</u>
Support services:						
Student services	76,606	-	3,039	(73,567)	-	(73,567)
Instructional staff services	140,744	-	-	(140,744)	-	(140,744)
Administration services	415,123	15,740	-	(399,383)	-	(399,383)
Operation and maintenance of plant services	236,822	-	913	(235,909)	-	(235,909)
Transportation services	150,474	-	-	(150,474)	-	(150,474)
	<u>1,019,769</u>	<u>15,740</u>	<u>3,952</u>	<u>(1,000,077)</u>	<u>-</u>	<u>(1,000,077)</u>
Non-instructional programs:						
Food service operations	2,457	-	-	(2,457)	-	(2,457)
Community service & education	1,825	-	-	(1,825)	-	(1,825)
	<u>4,282</u>	<u>-</u>	<u>-</u>	<u>(4,282)</u>	<u>-</u>	<u>(4,282)</u>
Other expenditures:						
Facilities acquisition and construction	87,630	-	-	(87,630)	-	(87,630)
AEA flowthrough	130,621	-	130,621	-	-	-
Depreciation (unallocated) *	147,475	-	-	(147,475)	-	(147,475)
	<u>365,726</u>	<u>-</u>	<u>130,621</u>	<u>(235,105)</u>	<u>-</u>	<u>(235,105)</u>
Total governmental activities	3,940,429	126,553	521,921	(3,291,955)	-	(3,291,955)

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					
		Charges for	Operating Grants, Contributions and Restricted	Governmental	Business-Type	Total
	Expenses	Service	Interest	Activities	Activities	
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	129,844	54,855	80,188	-	5,199	5,199
Total	4,070,273	181,408	602,109	(3,291,955)	5,199	(3,286,756)
General revenues:						
Property tax levied for:						
General purposes				1,280,588	-	1,280,588
Management fund				19,880	-	19,880
Capital outlay				110,694	-	110,694
Income surtax				65,195	-	65,195
Local option sales tax				1,692	-	1,692
Unrestricted state grants				1,396,764	-	1,396,764
Unrestricted investment earnings				2,993	-	2,993
Other				8,373	-	8,373
Total general revenue				2,886,179	-	2,886,179
Change in net assets				(405,776)	5,199	(400,577)
Net assets beginning of year, as restated (note 9)				1,447,774	49,922	1,497,696
Net assets end of year				1,041,998	55,121	1,097,119

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2004

	General	Capital	Non-major	Total
	<u> </u>	<u>Projects</u>	<u>Special</u>	<u> </u>
	\$		\$	\$
Assets				
Cash and pooled investments	177,825	1,142	160,645	339,612
ISCAP investments	554,323	-	-	554,323
Receivables:				
Property tax:				
Current year	18,808	-	1,918	20,726
Succeeding year	1,210,655	-	139,383	1,350,038
Income surtax	86,700	-	-	86,700
Due from other governments	32,417	550	-	32,967
ISCAP accrued interest	1,325	-	-	1,325
Other receivables	<u>2,069</u>	<u>-</u>	<u>-</u>	<u>2,069</u>
Total assets	<u>2,084,122</u>	<u>1,692</u>	<u>301,946</u>	<u>2,387,760</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	100,668	-	21,933	122,601
Accrued salary and benefits	-	-	-	-
ISCAP warrants payable	551,000	-	-	551,000
ISCAP accrued interest payable	7,462	-	-	7,462
Deferred revenue:				
Succeeding year property tax	1,210,655	-	139,383	1,350,038
Income surtax	<u>86,700</u>	<u>-</u>	<u>-</u>	<u>86,700</u>
Total liabilities	<u>1,956,485</u>	<u>-</u>	<u>161,316</u>	<u>2,117,801</u>
Fund balances:				
Reserved for capital projects	-	1,692	-	1,692
Unreserved, undesignated	<u>127,637</u>	<u>-</u>	<u>140,630</u>	<u>268,267</u>
Total fund balances	<u>127,637</u>	<u>1,692</u>	<u>140,630</u>	<u>269,959</u>
Total liabilities and fund balances	<u>2,084,122</u>	<u>1,692</u>	<u>301,946</u>	<u>2,387,760</u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	\$ 269,959
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**Amounts reported for governmental activities in the
statement of net assets are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	856,682
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Early retirement payable	\$ (28,643)	
Technology note payable	<u>(56,000)</u>	<u>(84,643)</u>

Net assets of governmental activities (Exhibit A)	<u><u>\$ 1,041,998</u></u>
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See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,345,783	-	1,692	130,574	1,478,049
Tuition	102,867	-	-	-	102,867
Other	35,001	-	-	89,870	124,871
State sources	1,715,444	-	-	67	1,715,511
Federal sources	113,355	-	-	-	113,355
Total revenues	<u>3,312,450</u>	<u>-</u>	<u>1,692</u>	<u>220,511</u>	<u>3,534,653</u>
Expenditures:					
Instruction:					
Regular instruction	1,759,595	-	-	28,704	1,788,299
Special instruction	539,202	-	-	-	539,202
Other instruction	164,379	-	-	84,228	248,607
	<u>2,463,176</u>	<u>-</u>	<u>-</u>	<u>112,932</u>	<u>2,576,108</u>
Support services:					
Student services	67,389	-	-	9,217	76,606
Instructional staff services	127,063	-	-	13,681	140,744
Administration services	409,830	-	-	5,293	415,123
Operation and maintenance of plant services	217,939	-	-	18,883	236,822
Transportation services	124,815	-	-	25,659	150,474
	<u>947,036</u>	<u>-</u>	<u>-</u>	<u>72,733</u>	<u>1,019,769</u>
Non-instructional programs:					
Food service operations	2,457	-	-	-	2,457
Community service & education	1,825	-	-	-	1,825
	<u>4,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,282</u>
Other expenditures:					
Long-term debt:					
Principal	-	11,200	-	-	11,200
Facilities acquisition and construction	-	-	-	87,630	87,630
AEA flowthrough	130,621	-	-	-	130,621
	<u>130,621</u>	<u>11,200</u>	<u>-</u>	<u>87,630</u>	<u>229,451</u>
Total expenditures	<u>3,545,115</u>	<u>11,200</u>	<u>-</u>	<u>273,295</u>	<u>3,829,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(232,665)</u>	<u>(11,200)</u>	<u>1,692</u>	<u>(52,784)</u>	<u>(294,957)</u>

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	-	11,200	-	-	11,200
Operating transfers out	-	-	-	(11,200)	(11,200)
	-	11,200	-	(11,200)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(232,665)	-	1,692	(63,984)	(294,957)
Fund balances beginning of year, as restated (note 9)	360,302	-	-	204,614	564,916
Fund balances end of year	127,637	-	1,692	140,630	269,959

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (Exhibit E) \$ (294,957)

**Amounts reported for governmental activities in the statement of
activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Depreciation expense	(147,475)
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Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year repayments, are as follows:

Technology loan note payable	11,200
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>25,456</u>
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Change in net assets of governmental activities (Exhibit B)	<u>\$ (405,776)</u>
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EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>54,855</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	45,145
Benefits	18,930
Services	151
Supplies	59,813
Property	485
Other	266
Depreciation	<u>5,054</u>
Total operating expenses	<u>129,844</u>
Operating (loss)	<u>(74,989)</u>
Non-operating revenues:	
Interest on investments	36
State sources	1,975
Federal sources	<u>78,177</u>
	<u>80,188</u>
Change in net assets	5,199
Net assets beginning of year	<u>49,922</u>
Net assets end of year	<u><u>55,121</u></u>

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	54,735
Cash payments to employees for services	(64,075)
Cash payments to suppliers for goods or services	(54,435)
Net cash (used in) operating activities	<u>(63,775)</u>
Cash flows from non-capital financing activities:	
State grants received	1,975
Federal grants received	68,149
Net cash provided by non-capital financing activities	<u>70,124</u>
Cash flows from capital financing activities	
Acquisition of capital assets	(5,803)
Cash flows from investing activities:	
Interest on investments	<u>36</u>
Net increase in cash and cash equivalents	582
Cash and cash equivalents beginning of year	<u>12,677</u>
Cash and cash equivalents end of year	<u><u>13,259</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(74,989)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	5,054
Commodities used	10,028
(Increase) in other receivables	(120)
(Increase) in inventory	(747)
(Decrease) in accounts payable	(3,001)
	<u>(63,775)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>13,259</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received federal commodities valued at \$10,028.
See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2003

	Private Purpose Trusts	Agency Funds
	\$	\$
Assets		
Cash and pooled investments	62,383	1,188
Accrued interest receivable	214	-
Total assets	62,597	1,188
Liabilities		
Other payables	-	1,188
Net Assets		
Reserved for special purposes	62,383	-

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2004

	Private Purpose <u>Trusts</u> \$
Additions:	
Local sources:	
Contributions	2,800
Interest on investments	<u>896</u>
Total additions	<u>3,696</u>
Deductions:	
Instruction:	
Other	<u>3,230</u>
Total deductions	<u>3,230</u>
Change in net assets	466
Net assets beginning of year	<u>62,131</u>
Net assets end of year	<u><u>62,597</u></u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

East Greene Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Grand Junction and Rippey, Iowa, and agricultural territory in Greene and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, East Greene Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The East Greene Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Greene and Boone County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide financial statements - The statements of net assets and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability is deemed to be immaterial at June 30, 2004.

Long-term obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures exceeded the amounts budgeted in the Other Expenditures Function.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (note 9)	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital assets being depreciated:				
Land Improvements	273,787	-	-	273,787
Buildings	999,681	-	-	999,681
Furniture and Equipment	<u>1,371,156</u>	<u>-</u>	<u>-</u>	<u>1,371,156</u>
Total capital assets being depreciated	<u>2,644,624</u>	<u>-</u>	<u>-</u>	<u>2,644,624</u>
Less accumulated depreciation for:				
Land Improvements	185,769	11,242	-	197,011
Buildings	662,704	15,540	-	678,244
Furniture and Equipment	<u>811,994</u>	<u>120,693</u>	<u>-</u>	<u>932,687</u>
Total accumulated depreciation	<u>1,660,467</u>	<u>147,475</u>	<u>-</u>	<u>1,807,942</u>
Total capital assets being depreciated, net	<u>984,157</u>	<u>(147,475)</u>	<u>-</u>	<u>836,682</u>
Governmental activities, capital assets, net	<u>1,004,157</u>	<u>(147,475)</u>	<u>-</u>	<u>856,682</u>
Business type activities:				
Furniture and equipment	54,825	5,803	-	60,628
Less accumulated depreciation	<u>17,482</u>	<u>5,054</u>	<u>-</u>	<u>22,536</u>
Business type activities capital assets, net	<u>37,343</u>	<u>749</u>	<u>-</u>	<u>38,092</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>147,475</u>
Business Type activities:				
Food service operations				<u>5,054</u>

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$120,648, \$118,621, and \$124,869 respectively, equal to the required contributions for each year.

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	Note Payable	Early Retirement Payable	Total
Balance beginning of year	\$67,200	54,099	121,299
Additions	-	-	-
Reductions	<u>11,200</u>	<u>25,466</u>	<u>36,666</u>
Balance end of year	<u>\$56,000</u>	<u>28,643</u>	<u>84,633</u>

Note Payable:

The District has a \$112,000 note payable to Midland Power Cooperative with a zero per cent interest rate. The note is payable in ten equal annual installments of \$11,200 starting in July 2000 and ending with the July 2009 payment. These funds were made available through the Federal Rural Economic Development Loan and Grant Program and the funds were used to build an addition at the building in Grand Junction, Iowa to be used for the Iowa Communications Network (ICN) equipment and classes using that equipment.

Early Retirement:

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-nine and employees must have completed twelve years of continuous service to the District. Employees must also complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee is equal to 100% of the difference between the salary schedule base and the employees placement on the salary schedule. Supplemental pay, extended contract and phase monies are not included. The early retirement incentive for each eligible non-certified employee is equal to 25% of that employees salary in the last year of employment subject to a maximum of \$8,000 per individual.

(6) Risk Management

East Greene Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provided capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$322,116.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

East Greene Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$130,621 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04B	1/30/04	1/28/05	\$243,648	1,325	242,000	1,322
2004-05A	6/30/04	6/30/05	<u>310,675</u>	<u>-</u>	<u>309,000</u>	<u>6,140</u>
Total			<u>\$554,323</u>	<u>1,325</u>	<u>551,000</u>	<u>7,462</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear an interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04B	2.00	1.310
2004-05A	3.00	2.463

(9) Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2003. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Governmental Accounting Standards Board (GASB) Statement Number 38, Certain Financial Statement Note Disclosure, requires certain disclosures be made in the notes to the financial statements concurrent with the implementation of Statement Number 34.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	<u>Fund</u>		
	<u>General</u>	<u>Nonmajor Special Revenues</u>	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$360,302	204,614	564,916
GASB Interpretation 6 adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, July 1, 2003, as restated for governmental funds	<u>\$360,302</u>	<u>204,614</u>	564,916
GASB 34 adjustments:			
Capital assets, net of accumulated depreciation of \$1,660,467			1,004,157
Long-Term Liabilities:			
Early retirement		(54,099)	
Technology note payable		<u>(67,200)</u>	<u>(121,299)</u>
Net assets, July 1, 2003, as restated			<u>\$1,447,774</u>

Required Supplementary Information

EAST GREENE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,703,024	54,771	1,757,795	1,752,110	1,752,110	5,685
State sources	1,715,511	1,975	1,717,486	1,770,101	1,770,101	(52,615)
Federal sources	113,355	68,149	181,504	255,000	255,000	(73,496)
Total revenues	3,531,890	124,895	3,656,785	3,777,211	3,777,211	(120,426)
Expenditures:						
Instruction	2,492,650	-	2,492,650	2,735,000	2,735,000	242,350
Support services	1,019,769	-	1,019,769	1,185,500	1,185,500	165,731
Non-instructional programs	4,282	124,313	128,595	151,700	151,700	23,105
Other expenditures	229,451	-	229,451	181,206	181,206	(48,245)
Total expenditures	3,746,152	124,313	3,870,465	4,253,406	4,253,406	382,941
Excess of revenues over expenditures	(214,262)	582	(213,680)	(476,195)	(476,195)	262,515
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(214,262)	582	(213,680)	(476,195)	(476,195)	262,515
Balance beginning of year	553,874	12,677	566,551	624,936	624,936	3,347,565
Balance end of year	339,612	13,259	352,871	148,741	148,741	3,610,080

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 3,531,890	2,763	3,534,653
Expenditures	<u>3,746,152</u>	<u>83,458</u>	<u>3,829,610</u>
Net	(214,262)	(80,695)	(294,957)
Other financing sources (uses)	-	-	-
Beginning fund balances	<u>553,874</u>	<u>11,042</u>	<u>564,916</u>
Ending fund balances	<u>\$ 339,612</u>	<u>(69,653)</u>	<u>269,959</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 124,895	10,148	135,043
Expenditures	<u>124,313</u>	<u>5,531</u>	<u>129,844</u>
Net	582	4,617	5,199
Beginning fund balances	<u>12,677</u>	<u>37,245</u>	<u>49,922</u>
Ending fund balances	<u>\$ 13,259</u>	<u>41,862</u>	<u>55,121</u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

The District exceeded the amount budgeted in the other expenditures program function.

Other Supplementary Information

EAST GREENE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Non-major Special Revenue Funds

June 30, 2004

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	40,179	42,938	77,528	160,645
Property tax receivable:				
Current year	292	-	1,626	1,918
Succeeding year	60,000	-	79,383	139,383
Total assets	<u>100,471</u>	<u>42,938</u>	<u>158,537</u>	<u>301,946</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	-	21,933	21,933
Deferred revenue:				
Succeeding year property tax	60,000	-	79,383	139,383
Total liabilities	60,000	-	101,316	161,316
Fund equity:				
Unreserved fund balance	40,471	42,938	57,221	140,630
Total liabilities and fund equity	<u>100,471</u>	<u>42,938</u>	<u>158,537</u>	<u>301,946</u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Non-major Special Revenue Funds

Year ended June 30, 2004

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	19,880	-	110,694	130,574
Other	313	89,024	533	89,870
State sources	10	-	57	67
Total revenues	<u>20,203</u>	<u>89,024</u>	<u>111,284</u>	<u>220,511</u>
Expenditures:				
Instruction:				
Regular instruction	28,704	-	-	28,704
Co-curricular instruction	-	84,228	-	84,228
Support services:				
Student support	9,217	-	-	9,217
Instructional staff support	-	-	13,681	13,681
Administration	5,293	-	-	5,293
Plant operation and maintenance	18,883	-	-	18,883
Student transportation	14,159	-	11,500	25,659
Other expenditures:				
Facilities acquisition and construction	-	-	87,630	87,630
Total expenditures	<u>76,256</u>	<u>84,228</u>	<u>112,811</u>	<u>273,295</u>
Excess (Deficiency) of revenues over (under) expenditures	(56,053)	4,796	(1,527)	(52,784)
Other financing (uses):				
Operating transfers (out)	-	-	(11,200)	(11,200)
Excess (Deficiency) of revenues over (under) expenditures and other financing uses	(56,053)	4,796	(12,727)	(63,984)
Fund balances beginning of year, as restated (note 13)	<u>96,524</u>	<u>38,142</u>	<u>69,948</u>	<u>204,614</u>
Balance end of year	<u><u>40,471</u></u>	<u><u>42,938</u></u>	<u><u>57,221</u></u>	<u><u>140,630</u></u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Advisory Committee	4,171	26	3,068	1,129
High School Student Council	566	689	810	445
Junior High Student Council	23	-	-	23
Drama	338	-	23	315
Science 7-12	23	-	-	23
Vocal Music	48	-	-	48
Instrumental Music	2,154	4,365	1,768	4,751
Library	178	-	-	178
Vocational Agriculture	4	-	-	4
FFA	407	-	-	407
SADD	200	605	573	232
Home Ec	508	105	55	558
Industrial Arts	30	-	-	30
Class of 2004	4,899	687	5,133	453
Class of 2005	816	19,719	11,399	9,136
Class of 2006	25	3,009	3,001	33
Class of 2007	47	-	-	47
Class of 2008	47	-	-	47
Assembly	842	2,192	2,062	972
Lockers	1,119	114	30	1,203
Photography	455	542	304	693
National Honor Society	141	182	-	323
Athletic Fund Balance	3,140	6,299	5,433	4,006
Athletic Special	4,291	13,082	10,777	6,596
Basketball	-	6,269	6,269	-
Football	-	4,388	4,388	-
Baseball	-	2,561	2,561	-
Volleyball	-	1,816	1,816	-
Volleyball Fundraiser	729	567	611	685
Track	-	240	240	-
Cross Country	-	101	101	-
Golf	-	-	-	-
Magazine Sales	-	2,328	2,328	-
Weight Room	1,901	1,917	997	2,821
Football Cheerleaders	529	139	577	91
Basketball Cheerleaders	200	474	615	59
Elementary Student Council	-	1,075	999	76
Elementary Yearbook	1,597	460	636	1,421
Art 1-6	1	-	-	1
Band - Elementary Resale	7	7,671	5,222	2,456
Annual	7,277	5,660	10,571	2,366
Art 7-12	2	344	14	332
Band - High School Resale	901	481	795	587
Art Club	526	917	1,052	391
Total	38,142	89,024	84,228	42,938

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2004

	Morse- Kennedy	Vivian & Howard Cox	Junction Masonic	Claus Loof	Beaty	Class of 54 Scholarship	Cronn Scholarship	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Contributions	-	-	-	-	-	2,000	800	2,800
Interest on investments	19	303	104	304	166	-	-	896
	<u>19</u>	<u>303</u>	<u>104</u>	<u>304</u>	<u>166</u>	<u>2,000</u>	<u>800</u>	<u>3,696</u>
Expenditures:								
Instruction:								
Regular instruction:								
Other	30	1,800	100	800	500	-	-	3,230
	<u>30</u>	<u>1,800</u>	<u>100</u>	<u>800</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>3,230</u>
Excess (deficiency) of revenues over (under) expenditures	(11)	(1,497)	4	(496)	(334)	2,000	800	466
Balance beginning of year	<u>1,048</u>	<u>27,231</u>	<u>1,704</u>	<u>20,816</u>	<u>11,332</u>	<u>-</u>	<u>-</u>	<u>62,131</u>
Balance end of year	<u><u>1,037</u></u>	<u><u>25,734</u></u>	<u><u>1,708</u></u>	<u><u>20,320</u></u>	<u><u>10,998</u></u>	<u><u>2,000</u></u>	<u><u>800</u></u>	<u><u>62,597</u></u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
Local tax:				
Property tax	1,410,625	1,439,339	1,353,004	1,287,948
Mobile home tax	537	366	377	353
Local option sales tax	1,692	-	-	-
Income surtax	65,195	-	-	-
	<u>1,478,049</u>	<u>1,439,705</u>	<u>1,353,381</u>	<u>1,288,301</u>
State sources:				
State foundation aid	1,396,184	1,532,168	1,563,659	1,465,023
School improvement and technology	-	-	9,599	28,970
AEA flow through	130,621	141,165	142,476	148,045
Instructional support	15,083	16,627	18,209	20,632
Educational excellence program:				
Phase I	25,487	25,678	25,678	25,678
Phase II	34,774	36,702	38,369	39,492
Phase III	-	9,119	21,926	22,003
Non-public transportation aid	-	-	312	587
Vocational education aid	2,438	5,804	3,323	3,373
Iowa Early Intervention Block Grant	25,527	-	-	-
Revenue in lieu of taxes - military credit	647	679	673	1,208
Teacher mentoring program	1,300	-	-	-
Teacher quality/salary improvement	36,720	-	-	-
Other state aid	-	95,676	93,693	18,288
Lunch and breakfast programs	1,975	1,891	2,340	2,599
	<u>1,670,756</u>	<u>1,865,509</u>	<u>1,920,257</u>	<u>1,775,898</u>
Federal sources:				
Title I Grants to Local Educational Agencies	85,059	75,793	62,705	61,360
Safe and Drug Free Schools	3,039	2,479	910	1,533
Improving Teacher Quality - Grants to States	19,431	-	-	-
Data Driven Leadership Grant	2,700	-	-	-
Innovative Education Program Strategies	-	3,313	3,410	3,430
Rural Education Achievement Program	28,431	-	-	-
Special Education - Grants to States				
IDEA Part B	18,248	-	-	-
Food Distribution	10,028	-	-	-
National School Lunch and Breakfast Programs	68,149	66,550	67,795	70,786
Other	-	99,344	10,678	8,438
	<u>235,085</u>	<u>247,479</u>	<u>145,498</u>	<u>145,547</u>
Total	<u>3,383,890</u>	<u>3,552,693</u>	<u>3,419,136</u>	<u>3,209,746</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance and
on Internal Control over Financial Reporting**

To the Board of Education of the
East Greene Community School District:

We have audited the financial statements of the East Greene Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 27, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether East Greene Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed immaterial instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Greene Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect East Greene Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-II-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-II-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Greene Community School District and other parties to whom East Greene Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Greene Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

January 27, 2005

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

04-I-A Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

04-I-B Use of Signature Stamp - We noted that the Board President used a signature stamp to sign checks. We determined that control of the stamp was not maintained by the Board President, rather by the District Secretary. This allows the District Secretary to control both signatures required to sign checks under the Code of Iowa.

Recommendation - We recommend that control of the signature stamp be maintained by the Board President. If necessary, another individual may be designated to sign checks in the Board President's absence.

Response - We will investigate possible alternatives.

Conclusion - Response accepted.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:

04-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget - Expenditures for the year ended June 30, 2004, did not exceed the amounts budgeted.

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Timothy Bardole, Board Member	Coaching	\$2,499
Katherine Nease, Board President	Substitute nurse	\$ 210

In accordance with Chapter 279.7A of the Code of Iowa, these transactions do not appear to represent conflicts of interest since they totaled less than \$2,500 for the fiscal year.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

04-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

04-II-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

04-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

04-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

04-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- 04-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 04-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

